

## Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 ARA-10 AID-05 /034 W

-----033422 110837Z /23

R 110742Z OCT 77

FM AMEMBASSY TOKYO

TO AMEMBASSY BRASILIA

INFO SECSTATE WASHDC 1840

USDA/FAS

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E.O. 11652: NA

TAGS: EAGR, ETRD, BR

SUBJECT: TRAVEL OF AGRICULTURE MINISTER TO JAPAN

REF: BRASILIA 7889

SUMMARY. AGRICULTURE MINISTER PAULINELLI COMPLETED TALKS WITH JAPANESE GOVT. AND AGRICULTURAL COOPERATIVE OFFICIALS OCT. 6. SUBJECTS INCLUDED JOINT JAPANESE-BRAZILIAN EFFORTS TO DEVELOP AGRICULTURAL PRODUCTION IN THE CERRADOS, I.E., JAPAN-BRAZIL COOPERATIVE AGRICULTURAL DEVELOPMENT PROGRAM, AND SUPPLY-PURCHASE ARRANGEMENTS BETWEEN COOPERATIVES IN THE TWO COUNTRIES FOR SOYBEANS AND FEEDGRAINS. INTEREST IN CERRADOS PROJECT WAS REAFFIRMED BY BOTH SIDES WITH AGREEMENT TO PROCEED WITH A TEST PROJECT AND AN UNDERSTANDING WAS REACHED PROVIDING FOR TEST SHIPMENTS OF SOYBEANS AND CORN IN 1977-78 ON A CO-OP TO CO-OP BASIS.

END

SUMMARY.

1. THE TALKS BETWEEN MINISTER ALLYSON PAULINELLI AND JAPANESE OFFICIALS AND AGRICULTURAL CO-OPERATIVE LEADERS ENDED OCT. 6. ON DEVELOPMENT OF THE CERRADOS, TALKS FOR THE MOST PART SIMPLY REAFFIRMED INTEREST IN THE PROJECT BY BOTH SIDES. WITH OBJECTIVES TO (1) EXPAND AGRICULTURAL PRODUCTION AND PROVIDE REGIONAL  
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DEVELOPMENT IN BRAZIL; (2) INCREASE WORLD FOOD SUPPLY; AND (3) MAINTAIN AND IMPROVE EXISTING FRIENDLY RELATIONS BETWEEN JAPAN AND BRAZIL.

2. BRIEF RECAP OF UNDERSTANDINGS REACHED AS FOLLOWS: (1) FIRST STEP IS TEST PROJECT OF 50,000 HECTARES PRODUCING MOSTLY SOYBEANS, CORN AND WHEAT; (2) TOTAL BUDGET WILL BE EQUIVALENT TO 15.6 BILLION

YEN OF WHICH 13.1 BILLION WILL BE BORNE EQUALLY BY THE TWO GOVTS. AND REMAINDER WILL BE PROVIDED BY PRODUCERS. 5.1 BILLION OF JAPANESE OBLIGATION WILL BE IN FORM OF A LOAN AND 5.1 BILLION OF JAPANESE OBLIGATION WILL BE IN FORM OF A LOAN AND 5.1 BILLION OF BRAZILIAN OBLIGATION WILL BE COVERED FROM NATIONAL BUDGET. BRAZIL GUARANTEES TO ASSUME ANY LOSSES RESULTING FROM EXCHANGE RATE FLUCTUATIONS WHICH ALTER RELATIONSHIP BETWEEN YEN AND CRUZEIRO: (3) PROGRESS OF THE TEST PROJECT WILL BE REVIEWED AND FUTURE EXPANSION WILL BE CONSIDERED BY RESPONSIBLE GROUPS IN THE TWO COUNTRIES IN SUBSEQUENT DISCUSSIONS; AND (4) A COMPANY FOR FINANCING THE PROJECTS WILL BE ESTABLISHED IN EACH COUNTRY. IN ADDITION, A DEVELOPMENT COMPANY WILL BE ESTABLISHED IN BRAZIL TO SUPPORT AND IMPROVE RESEARCH PLANNING AND COORDINATION AND THE DISSEMINATION OF RESEARCH FINDINGS TO PRODUCERS.

4. ON SUPPLY-PURCHASE ARRANGEMENTS, BOTH SIDES REAFFIRMED A MUTUAL INTEREST IN INCREASING TRADE IN BRAZILIAN SOYBEANS AND CORN ON A CO-OP TO CO-OP BASIS AND REACHED THE FOLLOWING UNDERSTANDING: (1) BRAZILIAN COOPERATIVES WILL FORM A NEW EXPORTING ORGANIZATION TO DEAL EXCLUSIVELY WITH THE JAPANESE COUNTERPART; (2) BRAZIL RECOGNIZES UNICOOP, THE TRADING AGENCY OF THE NATIONAL FEDERATION OF JAPANESE AGRICULTURAL CO-OPERATIVE ASSOCIATION (ZEN-NOH) AS THE SOLE JAPANESE IMPORTER; AND (3) TEST SHIPMENTS WILL BE MADE IN 1977-78 AND IF SATISFACTORY FROM PRICE AND QUALITY STANDPOINTS A LONG TERM AGREEMENT WILL BE CONSIDERED WITH VIEW TO GRADUAL ANNUAL INCREASE IN TRADE VOLUME.  
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COMMENT: PRIVATELY, THERE IS SKEPTICISM ABOUT THE POSSIBILITY OF RAPID JOINT AGRICULTURAL DEVELOPMENT OF THE CERRADOS AND EVEN MORE ABOUT BRAZIL'S ABILITY TO MEET PRICE COMPETITION FOR FEEDGRAINS. THERE IS ALSO A LACK OF CONFIDENCE IN BRAZIL'S SUPPLY DEPENDABILITY IN BOTH SOYBEANS AND FEEDGRAINS GIVEN ITS PAST PERFORMANCE.

5. EMBASSY ATTEMPTING TO FIND OUT IF TALKS RESULTED IN SIGNIFICANT DEVELOPMENTS IN THE FISHERIES SECTOR AND IF SO WILL REPORT BY SEPTTEL.  
MANSFIELD

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## Message Attributes

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**Errors:** N/A  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009